

Message Text

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PAGE 01 BERN 02884 021659Z

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ACTION EUR-06

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R 021631Z AUG 74

FM AMEMBASSY BERN

TO SECSTATE WASHDC 9356

UNCLAS BERN 2884

E.O. 11652: N/A

TAGS: AFSP, SZ

SUBJ: OVERSEAS PRICE AND WAGE INCREASE FOR FY-1976

REF: EMBASSY A-207 AND STATE 165545

1. POST HAS REVIEWED FIELD BUDGET ESTIMATES SUBMITTED JULY 12, 1974. WE CONCLUDE THAT PERTINENT SCHEDULES AND NARRATIVES STILL APPLY, NOT IN NEED OF REVISION, AND THEREFORE, ALL INFORMATION REQUESTED REFTEL CONTAINED EMBASSY A-207. ALLOWANCE HAS BEEN MADE FOR IMPACT OF INFLATION ON OPERATING COSTS. POST HAS ALWAYS MADE ALLOWANCE FOR INFLATION AND EXCHANGE RATE CHANGES IN ITS ESTIMATES. THIS KNOWN TO DEPARTMENT. INDEED AS FAR BACK AS FEBRUARY 1973 POST EXPLAINED TO DEPARTMENT THAT THERE ARE ONLY TWO VARIABLES - EXCHANGE RATE AND INFLATION RATE IN MODEL.

2. THE FOLLOWING STATEMENT COULD BE ADDED TO THE FORECAST OF ECONOMIC TRENDS, FORMS S-4, IF DESIRED: AS A RESULT OF SEVERAL CONSTITUTIONAL INITIATIVES TO SUBSTANTIALLY REDUCE THE NUMBER OF FOREIGN WORKERS, THE SWISS GOVERNMENT HAS TIGHTENED CONSIDERABLY THE LIMITATIONS ON NEW WORK PERMITS. THIS WILL HAVE THE EFFECT OF STABILIZING OR REDUCING THE TOTAL LABOR FORCE AND ADD TO THE ALREADY HIGH UPWARD PRESSURE ON WAGES.

3. IN PREPARING BUDGET ESTIMATES, THE IMPACT OF THESE MEASURES, AS THEY AFFECT COSTS IN FY-'75 AND '76 WERE TAKEN INTO FULL ACCOUNT.

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PAGE 02 BERN 02884 021659Z

4. BELOW ARE COST-OF-LIVING FIGURES FOR SWITZERLAND WHICH

MAY BE USEFUL IN PREPARING OMB PRESENTATION:

CONSUMER PRICE INDICES

(SEPT 1966 - 100)

	PERCENTAGE			ESTIMATED PERCENTAGE
	JUNE 73	JUNE 74	CHANGE	INCREASE BY DEC 1975
TOTAL	138.3	151.6	9.6	15
FOOD	128.3	142.2	10.8	15
RENT	164.9	177.0	7.3	20
HEAT & UTILITIES	157.8	188.3	19.3	10

5. INDICES FOR JUNE 1973-1974 FROM LA VIE ECONOMIQUE, SWISS
FEDERAL DEPARTMENT OF PUBLIC ECONOMY. THE DECEMBER 1975 ESTIMATES
PREPARED BY EMBASSY ECONOMIC SECTION. OTHER SOURCE MATERIAL
USED IN PREPARATION BUDGET ESTIMATES INCLUDES STATISTICS ISSUED
BY SWISS FEDERAL OFFICE FOR INDUSTRY, TRADE AND LABOR. COPIES
OF SOME MATERIAL ISSUED BY THAT OFFICE (COUNTRY INDEX FOR
CONSUMER PRICES, COUNTRY WAGES STATISTICS) WERE TRANSMITTED
TO THE DEPARTMENT AS AN ATTACHMENT TO FORM S-4.

6. ALL THIS MATERIAL EXCEPT ATTRIBUTION OF INDICES WAS
AVAILABLE TO DEPARTMENT.
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